

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory BranchRESOLUTION NO. W-4938
December 20, 2012R E S O L U T I O N

(RES. W-4938), APPLE VALLEY RANCHOS WATER COMPANY
(APPLE VALLEY). ORDER APPROVING REQUEST TO IMPLEMENT
A SURCHARGE TO RECOVER \$185,661 OF THE BALANCE IN THE
COST OF CAPITAL MEMORANDUM ACCOUNT.

SUMMARY

This resolution grants Apple Valley the authority to implement a surcharge of \$0.031 per hundred cubic feet (Ccf) for residential and non-residential metered water service and a surcharge of \$0.003 per Ccf for gravity irrigation service for a 12-month period to recover the balances of \$184,253 and \$1,408, respectively, in the Cost of Capital Memorandum Account (CCMA). The \$184,253 CCMA balance for residential and non-residential metered water service and \$1,408 for gravity irrigation metered water service represent 0.8163% and 0.6249%, respectively, of Apple Valley's 2012 adopted revenue requirement for each of these services.

Apple Valley filed Advice Letter (AL) 173-W on July 9, 2012, with a Tier 3 designation to recover the balance in the CCMA. Apple Valley filed a supplement, AL 173-W-A, on October 22, 2012, to incorporate in the tariff sheets attached to this Resolution compliance filings approved subsequent to the filing of AL 173-W.

BACKGROUND

Park Water Company (Park) and Apple Valley on May 1, 2009, filed Application (A.) 09-05-003 requesting an authorized cost of capital for the years 2010-2012 pursuant to the rate case plan for Class A water utilities. Because of the delay in the issuance of the cost of capital final decision, the Commission issued Decision (D.) 09-12-019, dated December 17, 2009, authorizing Park and Apple Valley to establish the CCMA.

D.09-12-019, Ordering Paragraph No. 4 states:

“Apple Valley Ranchos Water Company may establish a 2010 Cost of Capital Memorandum Account to recover the difference between current rates based on its most recently authorized cost of capital, and rates based on the new cost of capital to be adopted in a final decision in Application 09-05-003. To establish this account, Apple Valley Water Company must file a tier 1 advice letter effective January 1, 2010 (or on the date of filing, whichever is later), subject to review and approval by the Commission’s Division of Water and Audits. Once the advice letter is effective, Apple Valley Water Company may, on a monthly basis, track in the memorandum account the difference in revenues between rates based on the currently authorized cost of capital and rates based on the proposed cost of capital. After the commission adopts a final cost of capital, the memorandum account must be adjusted to reflect the actual difference”.

On December 30, 2009, Apple Valley filed AL No. 156-W to modify its preliminary statements to reflect the addition of the CCMA to its tariffs pursuant to D.09-12-019. On October 29, 2010, the Commission in D.10-10-035 adopted the cost of capital for six Class A water utilities, including Apple Valley.

SERVICE, PROTESTS AND RESPONSES

Pursuant to General Rules 4.3 and 7.2 and Water Industry Rule 4.1 of General Order 96-B (GO 96-B), Apple Valley served AL 173-W on July 9, 2012, to competing and adjacent utilities and other utilities or interested parties having requested such service. Apple Valley provided customer notice of this increase previously in A.09-05-003 as required by Water Industry Rule 3.2 of General Order 96-B. Additional public notice of this filing is not required. No protests were received to AL 173-W.

DISCUSSION

Apple Valley filed Advice Letter No. 156-W on December 30, 2009 to incorporate into its tariff the 2010 CCMA established in D.09-12-019. The 2010 CCMA became effective January 1, 2010. The purpose of the 2010 CCMA is to track the difference between the then current rates based on its previously authorized cost of capital at 9.12% and rates based on the newly adopted cost of capital at 9.42% authorized by Commission D.10-10-035 on October 29, 2010.

Apple Valley has a gross revenue balance of \$183,260 in the CCMA from January 1, 2010, through December 31, 2010, inclusive of \$654 interest from January 1, 2010, through May 31, 2012. In addition, Apple Valley calculates a revenue increase of \$2,401

for uncollectibles and franchise fees. Apple Valley is requesting a revenue increase of \$185,661 that represents 0.8144% of Apple Valley's 2012 adopted revenue requirements.

Apple Valley's requested increase of \$185,661 is allocated between domestic water service and gravity irrigation water service. The portion of the \$185,661 allocated to residential and non-residential metered water service consists of: 1) \$181,870 from the balance in the CCMA from January 1, 2010 through December 31, 2010, including interest of \$649 from January 1, 2010, through May 31, 2012; and 2) \$2,383 for franchise fees and uncollectibles for a total of \$184,253. The portion allocated to gravity irrigation metered water service consists of: 1) \$1,390 from the balance in the CCMA from January 1, 2010, through December 31, 2010, including \$5.00 of interest from January 1, 2010, through May 31, 2012; and 2) \$18 for franchise fees and uncollectibles for a total of \$1,408.

Standard Practice U-27-W, Processing Consumer Price Index, Rate Base, and Expense Offset rate Increases and Amortizing Memorandum, Reserve and Balancing Accounts, paragraph 46 states that the average monthly balance in a Memorandum Account accrues interest at the 90-day commercial paper rate. Paragraph 56b provides that reserve and memorandum account amortization surcharges shall be spread over one year for under collections of less than 5% of gross revenues.

Apple Valley requests to implement a \$0.031 per Ccf surcharge on residential and non-residential metered water service and a \$0.003 per Ccf surcharge on gravity irrigation metered water service for a twelve-month period. The \$184,253 represents an increase of 0.8163% for residential and non-residential metered water service and the \$1,408 represents an increase of 0.6249% for gravity irrigation metered water service of Apple Valley's most recent authorized revenue requirement for each of these services.

The Division of Water and Audits reviewed Apple Valley's request for recovery of \$185,661 and finds the amount consistent with the direction given in D.09-12-019 and D.10-10-035. Recovery of \$185,661 should be authorized through surcharges of \$0.031 per Ccf for residential and non-residential metered water service and \$0.003 per Ccf for gravity irrigation metered water service.

COMMENTS

This is an uncontested matter that grants the relief requested. Pursuant to Public Utilities Code § 311(g) (2), this Resolution was not circulated for public comment.

FINDINGS AND CONCLUSIONS

1. Apple Valley Ranchos Water Company requests approval to recover the \$185,661 balance in the Cost of Capital Memorandum Account pursuant to Standard Practice U-27-W.
2. Apple Valley Ranchos Water Company filed a supplement, Advice Letter 173-W-A, to incorporate in the tariff sheets attached to this Resolution compliance filings approved subsequent to the filing of Advice Letter 173-W.
3. Apple Valley Ranchos Water Company filed Advice Letter 173-W with a Tier 3 designation.
4. Pursuant to General Rules 4.3 and 7.2 and Water Industry Rule 4.1 of General Order 96-B, Apple Valley Ranchos Water Company served Advice Letter 173-W on July 9, 2012, to competing and adjacent utilities and other utilities or interested parties having requested such service.
5. Apple Valley Ranchos Water Company provided customer notice of this increase previously in A.09-05-003 as required by Water Industry Rule 3.2 of General Order 96-B. Additional notice of this filing is not required. No protests were received to Advice Letter 173-W.
6. Apple Valley Ranchos Water Company has a balance in the Cost of Capital Memorandum Account for 2010 of \$185,661 including interest of \$654 from January 1, 2010, through May 31, 2012, and \$2,401 of uncollectibles and franchise fees.
7. The Apple Valley Ranchos Water Company Cost of Capital Memorandum Account balance of \$185,661 represents 0.8144% of Apple Valley Ranchos Water Company's 2012 current operating revenues.
8. Standard Practice U-27-W, Paragraph 56.b, provides that reserve and memorandum account amortization surcharges shall be spread over one year for under collections of less than 5% of gross revenues.
9. Apple Valley Ranchos Water Company meets the requirements of Standard Practice U-27-W for a surcharge to amortize the balance in the Cost of Capital Memorandum Account over one year.

10. Apple Valley Ranchos Water Company has requested a surcharge of \$0.031 per hundred cubic feet for residential and non-residential metered water service and a surcharge of \$0.003 per hundred cubic feet for gravity irrigation metered water service for a 12-month period to amortize the balance in the Cost of Capital Memorandum Account.
11. The Division of Water and Audits recommends that the balance of \$185,661 in the Cost of Capital Memorandum Account should be approved for recovery.
12. The Division of Water and Audits determined that a surcharge of \$0.031 per hundred cubic feet for residential and non-residential metered water service and a surcharge of \$0.003 per hundred cubic feet for gravity irrigation metered water service for a 12-month period should amortize \$185,661 and should be approved. The tariff sheets filed with Advice Letter 173-W-A and attached to this Resolution adding the above surcharges should be approved.
13. This is an uncontested matter that grants the relief requested. The public comment period has been waived pursuant to Public Utilities Code § 311(g) (2).
14. This resolution was not circulated for public comment.

THEREFORE, IT IS ORDERED THAT:

1. Apple Valley Ranchos Water Company's tariff sheets filed with Advice Letter 173-W-A and attached to this Resolution to amortize the \$185,661 in the Cost of Capital Memorandum Account through a 12-month surcharge of \$0.031 per hundred cubic feet for residential and non-residential metered water service and a 12-month surcharge of \$0.003 per hundred cubic feet for gravity irrigation metered water service are approved. The effective date of the revised rate schedules shall be no sooner than five days after the effective date of this Resolution.

2. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on December 20, 2012; the following Commissioners voting favorably thereon:

PAUL CLANON
Executive Director

APPLE VALLEY RANCHOS WATER COMPANY
 21760 OTTAWA ROAD
 P. O. BOX 7005
 APPLE VALLEY, CALIFORNIA 92307-7005

	<u>REVISED</u>	Cal. P.U.C. Sheet No.	<u>698-W</u>
Canceling	<u>REVISED</u>	Cal. P.U.C. Sheet No.	<u>726-W</u>

SCHEDULE NO. 1
RESIDENTIAL GENERAL METERED SERVICE
 (Continued)

a CARW discount. This surcharge will recover the under-collection in the CARW Revenue Reallocation Balancing Account as of December 31, 2010.

7. As authorized by the California Public Utilities Commission, an amount of \$0.084 per Ccf is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 177-W. This surcharge will recover the under-collection in the Incremental Cost Balancing Account as of December 31, 2008, Conservation Proceeding Memorandum Account as of December 31, 2010, Conservation BMP Memorandum Account as of December 31, 2010, and Outside Services Memorandum Account as of December 31, 2010.
8. As authorized by the California Public Utilities Commission, an amount of \$0.031 per Ccf is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 173-W-A. This surcharge will recover the under-collection in the Cost of Capital Memorandum Account as of December 31, 2010.

(N)
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 (N)

(To be inserted by utility)

Issued By

(To be inserted by Cal. P.U.C.)

Advice No.	<u>173-W-A</u>	<u>LEIGH K. JORDAN</u>	Date Filed	<u> </u>
		Name		
Dec. No.	<u> </u>	<u>EXECUTIVE VICE PRESIDENT</u>	Effective	<u> </u>
		Title	Resolution No.	<u> </u>

APPLE VALLEY RANCHOS WATER COMPANY
21760 OTTAWA ROAD
P. O. BOX 7005
APPLE VALLEY, CALIFORNIA 92307-7005

REVISED Cal. P.U.C. Sheet No. 699-W
Canceling REVISED Cal. P.U.C. Sheet No. 727-W

SCHEDULE NO. 2**GRAVITY IRRIGATION SERVICE****APPLICABILITY**

Applicable to all water service from the Company's gravity irrigation system.

TERRITORY

Within the entire service area of the Company.

RATES

Quantity Rates:

All water delivered per 100 cu. ft. \$ 0.345

Service Charge:

Per Meter
Per Month

For 5/8 x 3/4-inch meter	\$ 22.34
For 3/4-inch meter	33.51
For 1-inch meter	55.85
For 1 1/2-inch meter	111.70
For 2-inch meter	178.72
For 3-inch meter	335.10
For 4-inch meter	558.50
For 6-inch meter	1,117.00
For 8-inch meter	1,787.20
For 10-inch meter	3,239.30

SPECIAL CONDITIONS

1. Service under this schedule is limited to lands not developed for residential use.
 2. All outlets for this water shall be protected by signs stating: NON-POTABLE WATER-NOT FOR HUMAN CONSUMPTION.
 3. A late charge will be imposed per Schedule LC.
 4. All bills are subject to the Public Utilities Commission Reimbursement Fee set for on Schedule No. UF.
 5. As authorized by the California Public Utilities Commission, an amount of \$0.071 per Ccf is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 177-W. This surcharge will recover the under-collection in the Incremental Cost Balancing Account from January 1, 2008 through December 31, 2010.
 6. As authorized by the California Public Utilities Commission, an amount of \$0.003 per (N)
- (Continued)

(To be inserted by utility)

Issued By:

(To be inserted by Cal. P.U.C.)

Advice No. 173-W-A

LEIGH K. JORDAN

Date Filed

Name

Effective

Dec. No.

EXECUTIVE VICE PRESIDENT

Title

Resolution No.

APPLE VALLEY RANCHOS WATER COMPANY
21760 OTTAWA ROAD
P. O. BOX 7005
APPLE VALLEY, CALIFORNIA 92307-7005

ORIGINALCal. P.U.C. Sheet No. 730-W

Canceling _____

Cal. P.U.C. Sheet No. _____

SCHEDULE NO. 2
GRAVITY IRRIGATION SERVICE
(Continued)

Ccf is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 173-W. This surcharge will recover the under-collection in the Cost of Capital Memorandum Account as of December 31, 2010.

(N)
|
(N)

(To be inserted by utility)

Issued By

(To be inserted by Cal. P.U.C.)

Advice No. 173-W-ALEIGH K. JORDAN

Date Filed _____

Name

Dec. No. _____

EXECUTIVE VICE PRESIDENT

Effective _____

Title

Resolution No. _____

APPLE VALLEY RANCHOS WATER COMPANY
21760 OTTAWA ROAD
P. O. BOX 7005
APPLE VALLEY, CALIFORNIA 92307-7005

	<u>REVISED</u>	Cal. P.U.C. Sheet No.	<u>700-W</u>
Canceling	<u>REVISED</u>	Cal. P.U.C. Sheet No.	<u>728-W</u>

SCHEDULE NO. 3
NON-RESIDENTIAL GENERAL METERED SERVICE
(Continued)

7. As authorized by the California Public Utilities Commission, an amount of \$0.084 per Ccf is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 177-W. This surcharge will recover the under-collection in the Incremental Cost Balancing Account as of December 31, 2008, Conservation Proceeding Memorandum Account as of December 31, 2010, Conservation BMP Memorandum Account as of December 31, 2010, and Outside Services Memorandum Account as of December 31, 2010.

8. As authorized by the California Public Utilities Commission, an amount of \$0.031 per Ccf is to be added to the quantity rate for a period of 12 months, beginning on the effective date of Advice Letter 173-W-A. This surcharge will recover the under-collection in the Cost of Capital Memorandum Account as of December 31, 2010.

(N)
|
(N)

(To be inserted by utility)

Issued By

(To be inserted by Cal. P.U.C.)

Advice No. 173-W-ALEIGH K. JORDANDate Filed

Name

Dec. No. EXECUTIVE VICE PRESIDENTEffective

Title

Resolution No.